



# **Hong Kong Banking Sector: 2013 Year-end Review and Priorities for 2014**

**Hong Kong Monetary Authority**  
**24 January 2014**



## Banking sector in 2013

### Hong Kong's banking sector remains resilient

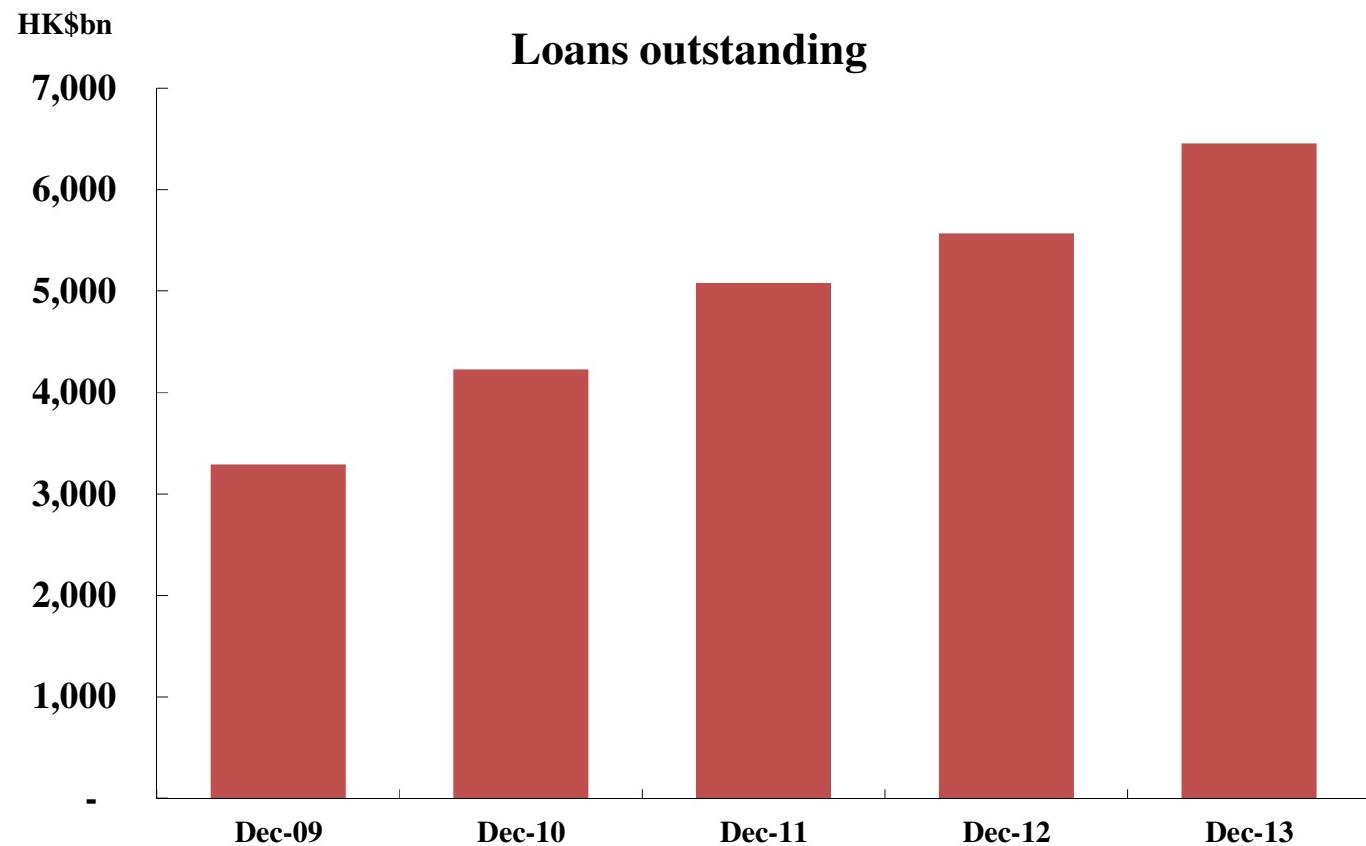
- Capital adequacy ratio increased to 16.1% at end-Sep 2013 from 15.7% at end-Dec 2012
- Liquidity ratio remained healthy at 39.6% (Q4 2013)
- Net interest margin widened to 1.40% in 2013 from 1.36% in 2012
- Classified loan ratio stayed low at 0.48% (end-Sep 2013)



# Banking sector in 2013

## Supervisory attention on credit growth

- Total loans
  - Up 16.0% in 2013 to HK\$6.46 trillion
  - Up 96% since end-2009
- USD loans
  - up 29.6% in 2013 to HK\$2.43 trillion
  - Up 265% since end-2009

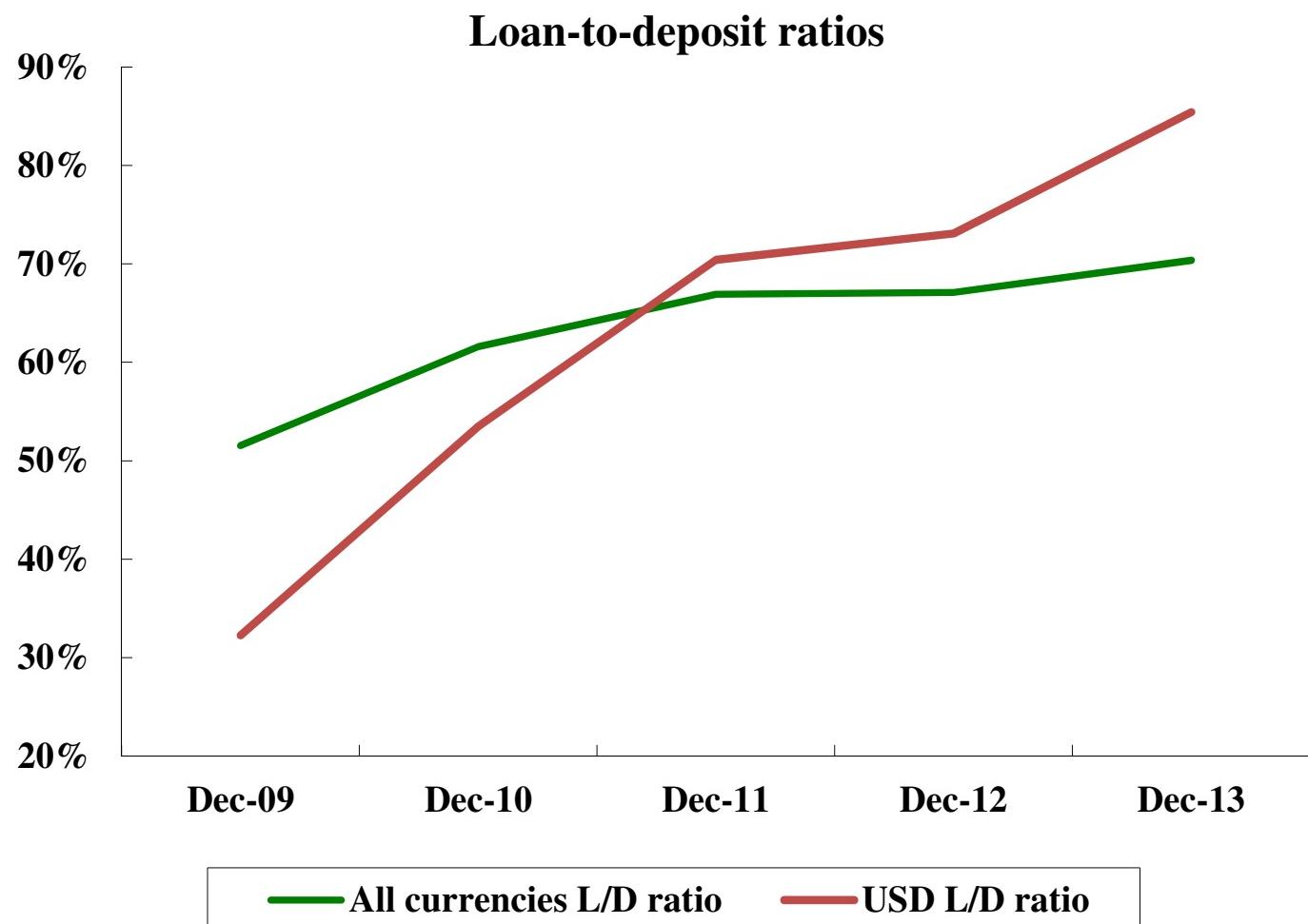




# Banking sector in 2013

## Monitoring of banks' funding and liquidity

- Total deposits up 10.6% only, outpaced by credit growth
  - L/D ratio increased to 70.4% from 67.1%
  - USD L/D ratio increased to 85.4% from 73.1%





# Banking Supervision in 2013

- Sixth round of prudential measures on property mortgage loans
- Stable Funding Requirement
- Supervision of AML/CFT controls



# Banking Supervision in 2013

- Supervision of Non-bank Mainland China Exposure
- Supervision for bank holding companies in line with Basel requirements
- Liquidity risk management



# Banking Supervision Priorities in 2014

- Alignment of supervisory resources with risks
- Surveillance and supervision of AIs' NBMCE
- Enhanced AML/CFT supervision & resources
- Liquidity risk management and funding structure
- Interest rate risk
- Structured dialogue with banks on capital planning



# Banking Policy in 2013

- Basel 3 implementation
  - Liquidity standards
  - Capital buffers / SIB framework
  - Banking (Disclosure) Rules
- Resolution
  - addressing FSB “Key Attributes”
  - recovery and resolution planning



# Banking Policy Priorities in 2014

- Basel 3 implementation
  - Banking (Liquidity) Rules
  - Banking (Capital) Rules
- Resolution
  - cross sectoral regime
  - recovery and resolution planning



# Banking Conduct in 2013

- Risk culture/governance of AIs
  - Face to face meetings with senior management and directors of AIs
  - Treat Customers Fairly Charter
- Capacity Building in the banking industry
  - Director development program
  - Enhanced competency framework for private wealth management practitioners
- Consumer/investor protection initiatives
  - For insurance products including investment-linked assurance scheme products
  - Reviewed Code of Banking Practice



# Banking Conduct Priorities in 2014

- Continue to enhance risk culture/governance of AIs
  - Monitor AIs' implementation of the Treat Customers Fairly Charter Principles
  - Focused discussion with AIs on risk governance/culture including joint efforts with the SFC
- Continue to build capacity in the banking industry
  - More focused director development initiatives
  - Roll out enhanced competency framework for private wealth management practitioners
- Continue to enhance consumer/investor protection
  - Issue necessary guidelines e.g. Non-linked Long Term Life Insurance products
  - Finalise changes to the Code of Banking Practice



## Enforcement in 2013

- Cases in progress reduced from 1,313 to 500
  - 1,115 cases received and 1,928 cases completed
  - most backlog cases resolved
  - independent review to ensure process effectiveness
- Complaints on investment products fell (185 to 143) but those on insurance products increased (86 to 137)
- Consumer education programme launched
  - smart tips on e-banking security and credit card spending



## Enforcement Priorities in 2014

- Implement changes to ensure process effectiveness
- Monitor emerging trends in complaints and enforcement cases handled and share more information with public to enhance awareness
- Broaden consumer education programme to include more smart tips and delivery channels